

Annual Financial Statements 2022/23



Lithgow
CITY COUNCIL



General Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	75
On the Financial Statements (Sect 417 [3])	78

Overview

Lithgow City Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

180 Mort St
Lithgow NSW 2790

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: <http://www.council.lithgow.com>.

Lithgow City Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Lithgow City Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.
- the *Local Government Code of Accounting Practice and Financial Reporting*.

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

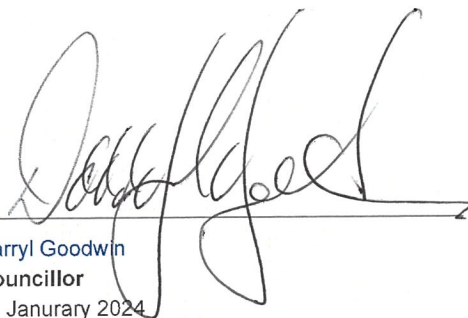
Signed in accordance with a resolution of Council made on 27 November 2023.



Maree Statham

Mayor

31 January 2024



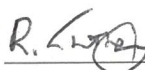
Darryl Goodwin
Councillor

31 January 2024



Craig Butler
General Manager

31 January 2024



Ross Gurney
Responsible Accounting Officer

31 January 2024

Lithgow City Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
30,159	Rates and annual charges	B2-1	30,174	28,220
7,138	User charges and fees	B2-2	8,501	7,501
813	Other revenues	B2-3	960	965
16,760	Grants and contributions provided for operating purposes	B2-4	37,884	18,031
12,082	Grants and contributions provided for capital purposes	B2-4	14,633	5,772
579	Interest and investment income	B2-5	1,313	286
650	Other income	B2-6	724	848
68,181	Total income from continuing operations		94,189	61,623
	Expenses from continuing operations			
19,132	Employee benefits and on-costs	B3-1	19,293	18,695
19,032	Materials and services	B3-2	27,054	18,632
342	Borrowing costs	B3-3	180	451
13,282	Depreciation, amortisation and impairment of non-financial assets	B3-4	15,242	14,386
993	Other expenses	B3-5	1,209	1,197
(155)	Net loss from the disposal of assets	B4-1	7,415	2,039
52,626	Total expenses from continuing operations		70,393	55,400
15,555	Operating result from continuing operations		23,796	6,223
15,555	Net operating result for the year attributable to Council		23,796	6,223
3,474	Net operating result for the year before grants and contributions provided for capital purposes		9,163	451

The above Income Statement should be read in conjunction with the accompanying notes.

Lithgow City Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		23,796	6,223
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	65,115	19,215
Total other comprehensive income for the year		65,115	19,215
Total and comprehensive income for the year attributable to Council		88,911	25,438

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Lithgow City Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	1,938	1,784
Investments	C1-2	41,000	33,000
Receivables	C1-4	7,440	6,698
Inventories	C1-5	762	816
Contract assets and contract cost assets	C1-6	13,939	4,023
Other	C1-9	773	843
Total current assets		65,852	47,164
Non-current assets			
Infrastructure, property, plant and equipment (IPPE)	C1-7	683,961	605,954
Investment property	C1-8	6,208	5,706
Right of use assets	C2-1	284	607
Total non-current assets		690,453	612,267
Total assets		756,305	659,431
LIABILITIES			
Current liabilities			
Payables	C3-1	11,403	7,914
Contract liabilities	C3-2	8,116	1,103
Lease liabilities	C2-1	216	389
Borrowings	C3-3	4,935	1,364
Employee benefit provisions	C3-4	3,540	3,637
Provisions	C3-5	–	85
Total current liabilities		28,210	14,492
Non-current liabilities			
Payables	C3-1	–	12
Lease liabilities	C2-1	83	194
Borrowings	C3-3	9,884	14,899
Employee benefit provisions	C3-4	352	318
Provisions	C3-5	8,366	9,017
Total non-current liabilities		18,685	24,440
Total liabilities		46,895	38,932
Net assets		709,410	620,499
EQUITY			
Accumulated surplus	C4-1	253,297	229,501
IPPE revaluation reserve	C4-1	456,113	390,998
Council equity interest		709,410	620,499
Total equity		709,410	620,499

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Lithgow City Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
Opening balance at 1 July		229,501	390,998	620,499	223,278	371,783	595,061
Opening balance		229,501	390,998	620,499	223,278	371,783	595,061
Net operating result for the year		23,796	–	23,796	6,223	–	6,223
Net operating result for the year		23,796	–	23,796	6,223	–	6,223
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	65,115	65,115	–	19,215	19,215
Other comprehensive income		–	65,115	65,115	–	19,215	19,215
Total comprehensive income		23,796	65,115	88,911	6,223	19,215	25,438
Closing balance at 30 June		253,297	456,113	709,410	229,501	390,998	620,499

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Lithgow City Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
30,278	Rates and annual charges		30,034	28,870
7,371	User charges and fees		8,865	8,042
582	Interest received		939	376
27,614	Grants and contributions		49,481	18,977
–	Bonds, deposits and retentions received		–	34
1,264	Other		6,320	4,144
Payments:				
(19,046)	Payments to employees		(19,464)	(18,888)
(17,969)	Payments for materials and services		(28,816)	(18,434)
(346)	Borrowing costs		(464)	(647)
–	Bonds, deposits and retentions refunded		(26)	–
(833)	Other		(2,026)	(3,736)
28,915	Net cash flows from operating activities	G1-1	44,843	18,738
Cash flows from investing activities				
Receipts:				
154	Proceeds from sale of IPPE		219	701
Payments:				
(4,000)	Acquisition of term deposits		(8,000)	(12,000)
–	Purchase of investment property		(502)	–
(27,144)	Payments for IPPE		(34,583)	(15,465)
(30,990)	Net cash flows from investing activities		(42,866)	(26,764)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		–	3,500
Payments:				
(1,364)	Repayment of borrowings		(1,444)	(1,575)
–	Principal component of lease payments		(379)	(374)
(1,364)	Net cash flows from financing activities		(1,823)	1,551
(3,439)	Net change in cash and cash equivalents		154	(6,475)
1,784	Cash and cash equivalents at beginning of year		1,784	8,259
(1,655)	Cash and cash equivalents at end of year	C1-1	1,938	1,784
37,000	plus: Investments on hand at end of year ¹	C1-2	41,000	33,000
35,345	Total cash, cash equivalents and investments		42,938	34,784

(1) Refer to Note G4-2 for details regarding restatement of prior year.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Lithgow City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
B2 Sources of income	16
B2-1 Rates and annual charges	16
B2-2 User charges and fees	16
B2-3 Other revenues	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	21
B2-6 Other income	22
B3 Costs of providing services	23
B3-1 Employee benefits and on-costs	23
B3-2 Materials and services	23
B3-3 Borrowing costs	24
B3-4 Depreciation, amortisation and impairment of non-financial assets	24
B3-5 Other expenses	25
B4 Gains or losses	26
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	26
B5 Performance against budget	27
B5-1 Material budget variations	27
C Financial position	30
C1 Assets we manage	30
C1-1 Cash and cash equivalents	30
C1-2 Financial investments	30
C1-3 Restricted and allocated cash, cash equivalents and investments	31
C1-4 Receivables	32
C1-5 Inventories	33
C1-6 Contract assets and Contract cost assets	34
C1-7 Infrastructure, property, plant and equipment	35
C1-8 Investment properties	39
C1-9 Other	39
C2 Leasing activities	39
C2-1 Council as a lessee	39
C2-2 Council as a lessor	41
C3 Liabilities of Council	43
C3-1 Payables	43
C3-2 Contract Liabilities	43
C3-3 Borrowings	44
C3-4 Employee benefit provisions	46

Lithgow City Council

Contents for the notes to the Financial Statements for the year ended 30 June 2023

C3-5 Provisions	47
C4 Reserves	48
C4-1 Nature and purpose of reserves	48
D Council structure	49
D1 Results by fund	49
D1-1 Income Statement by fund	49
D1-2 Statement of Financial Position by fund	49
D1-3 Details of internal loans	50
D2 Interests in other entities	50
D2-1 Interests in associates	50
E Risks and accounting uncertainties	53
E1-1 Risks relating to financial instruments held	53
E2-1 Fair value measurement	56
E3-1 Contingencies	62
F People and relationships	65
F1 Related party disclosures	65
F1-1 Key management personnel (KMP)	65
F1-2 Councillor and Mayoral fees and associated expenses	66
F2 Other relationships	66
F2-1 Audit fees	66
G Other matters	66
G1-1 Statement of Cash Flows information	66
G2-1 Commitments	67
G3-1 Events occurring after the reporting date	68
G4 Statement of developer contributions as at 30 June 2023	69
G4-1 Summary of developer contributions	69
G4-2 Developer contributions by plan	69
G5 Statement of performance measures	70
G5-1 Statement of performance measures – consolidated results	70
G5-2 Statement of performance measures by fund	71
H Additional Council disclosures (unaudited)	72
H1-1 Statement of performance measures – consolidated results (graphs)	72
H1-2 Council information and contact details	74

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 November 2023. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain infrastructure, property, plant and equipment and investment property.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties – refer Note C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has not made any significant judgements about the impairment of a number of its receivables – refer Note C1-4.

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to NSW Council's control have been included in these reports.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Volunteer services

Council has an average of 54.5 hours per week of volunteer services donated, 51.5 hours at Eskbank House Museum, and 3 hours at Portland Library. Council does not recognise this in the income statement on the basis that these services would not be procured if not donated and on the low value/materiality level.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Caring for our community	4,709	1,870	3,039	3,014	1,670	(1,144)	2,903	1,868	3,285	2,882
Strengthening our economy	535	346	2,479	1,822	(1,944)	(1,476)	141	283	6,294	5,522
Developing our built environment	57,762	29,394	59,276	45,637	(1,514)	(16,243)	41,645	12,174	625,238	548,747
Enhancing our natural environment	6,832	7,152	4,729	4,841	2,103	2,311	200	2,576	93,596	82,117
Governance and leadership	24,351	22,861	870	86	23,481	22,775	7,628	6,902	23,200	20,355
Other	–	–	–	–	–	–	–	–	4,692	(192)
Total functions and activities	94,189	61,623	70,393	55,400	23,796	6,223	52,517	23,803	756,305	659,431

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Caring for our community

Includes supporting Aboriginal, cultural and linguistically diverse communities; ageing populations; children and families; community support and information; health; library programs; regulatory/compliance programs; safety; volunteering and youth.

Strengthening our economy

Includes Council's branding and marketing; art and culture; business and industry development and support; education and training; leadership and communication; heritage; and tourism.

Developing our built environment

Includes cemeteries; community commercial and industrial buildings; cycleways and pathways; environmental health; parks and gardens; recreational facilities; transport; sewage infrastructure; streetscape improvements; tradewaste; and water infrastructure.

Enhancing our natural environment

Includes air; biodiversity; climate change; environmental protection and leadership; natural heritage; stormwater and drainage water and waste and recycling.

Governance and leadership

Includes planning for our future; civic leadership; communication; corporate management; customer service; being an employer of choice; information systems management; and plant and equipment.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	8,401	8,164
Farmland	2,160	2,116
Mining	1,818	1,782
Business	2,086	2,031
Less: pensioner rebates (mandatory)	(349)	(346)
Rates levied to ratepayers	14,116	13,747
Pensioner rate subsidies received	192	190
Total ordinary rates	14,308	13,937
Special rates		
Parking	265	258
Rates levied to ratepayers	265	258
Total special rates	265	258
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	4,224	4,153
Stormwater management services	243	241
Water supply services	3,332	1,820
Sewerage services	7,589	7,356
Waste management services (non-domestic)	683	664
Gas mains	16	19
Less: pensioner rebates (Council policy)	(244)	–
Less: pensioner rebates (mandatory)	(504)	(506)
Annual charges levied	15,339	13,747
Pensioner annual charges subsidies received:		
– Water	88	90
– Sewerage	83	85
– Domestic waste management	91	103
Total annual charges	15,601	14,025
Total rates and annual charges	30,174	28,220

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Water supply services	4,745	4,482
Waste management services (non-domestic)	1,731	1,380
Trade waste	111	88

B2-2 User charges and fees (continued)

\$ '000	2023	2022
Septic approval	205	164
Total specific user charges	6,792	6,114
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Planning and building regulation	592	595
Private works – section 67	49	23
Regulatory/statutory fees	175	98
Section 10.7 certificates (EP&A Act)	64	72
Total fees and charges – statutory/regulatory	880	788
(ii) Fees and charges – other (incl. general user charges (per s608))		
Cemeteries	209	176
Swimming centres	480	356
Hall and park hire	90	26
Other	50	41
Total fees and charges – other	829	599
Total other user charges and fees	1,709	1,387
Total user charges and fees	8,501	7,501
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	–	–
User charges and fees recognised at a point in time (2)	8,501	7,501
Total user charges and fees	8,501	7,501

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

B2-3 Other revenues

\$ '000	2023	2022
Fines – parking	17	10
Fines – other	77	81
Legal fees recovery – other	69	81
Commissions and agency fees	2	3
Diesel rebate	89	85
Insurance claims recoveries	82	262
Recycling income (non-domestic)	142	254
Sale of abandoned vehicles	41	53
Esbank house	5	2
Inspections	10	7
Library charges	9	7
Sales – aquatic centre	25	17
Sales – tourism	69	28
Credit card surcharge	22	21
Other Council properties Hire	56	82
Other - Adjustments	–	(135)

B2-3 Other revenues (continued)

\$ '000	2023	2022
Reimbursements	185	–
Other	60	107
Total other revenue	960	965

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	960	965
Total other revenue	960	965

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	1,143	1,999	–	–
Financial assistance – local roads component	381	667	–	–
Payment in advance - future year allocation				
Financial assistance – general component	4,423	3,021	–	–
Financial assistance – local roads component	1,590	1,078	–	–
Amount recognised as income during current year	7,537	6,765	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Water supplies	401	–	92	750
Sewerage services	–	–	1,293	256
Community care	–	46	–	–
Community centres	119	94	4,128	–
Economic development	20	275	750	–
Environmental programs	100	2,071	–	–
Floodplain management	16	12	–	–
Heritage and cultural	270	–	1,180	447
Library – per capita	131	–	–	–
Library – special projects	–	–	224	215
LIRS subsidy	32	44	–	–
Recreation and culture	–	–	20	335
Storm/flood damage	25,417	4,023	–	–
Waste services	–	–	123	167
Street lighting	75	73	–	–
Bushfire relief	(14)	416	–	–
Transport (roads to recovery)	814	797	–	–
Transport (other roads and bridges funding)	1,774	2,074	5,686	1,532
Previously contributions:				
Other councils – joint works/services	16	–	–	–
Employment	128	267	–	–

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Transport for NSW contributions (regional roads, block grant)	476	468	–	–
Fire contribution	236	232	–	–
Hazard reduction	19	124	–	–
Rebates	56	–	–	–
Event sponsorships	–	11	–	–
ESL contribution	–	225	–	–
Pathways and cycleways	–	–	–	1,027
Other contributions	–	14	–	–
Total special purpose grants and non-developer contributions – cash	30,086	11,266	13,496	4,729
Non-cash contributions				
Rural Fire Services vehicles	261	–	–	–
Community halls and centres	–	–	397	–
Land	–	–	109	–
Total other contributions – non-cash	261	–	506	–
Total special purpose grants and non-developer contributions (tied)	30,347	11,266	14,002	4,729
Total grants and non-developer contributions	37,884	18,031	14,002	4,729
Comprising:				
– Commonwealth funding	8,386	8,877	–	376
– State funding	29,413	9,125	13,967	4,356
– Other funding	85	29	35	(3)
	37,884	18,031	14,002	4,729

Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	222	258
S 7.11 – contributions towards amenities/services		2	–	–	–	30
S 7.12 – fixed development consent levies		2	–	–	327	239
S 64 – water supply contributions		2	–	–	39	81
S 64 – sewerage service contributions		2	–	–	43	435
Total developer contributions – cash			–	–	631	1,043
Total developer contributions			–	–	631	1,043
Total grants and contributions			37,884	18,031	14,633	5,772
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			37,884	18,031	14,633	5,772
Total grants and contributions			37,884	18,031	14,633	5,772

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	3,289	1,037	680	1,908
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,954	4,538	4,381	914
Add: Funds received and not recognised as revenue in the current year	4,008	–	37	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,039)	(2,286)	(651)	(2,142)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
Unspent funds at 30 June	8,212	3,289	4,447	680
Contributions				
Unspent funds at 1 July	1,945	2,143	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	458	441	–	–
Add: contributions received and not recognised as revenue in the current year	–	–	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(529)	(639)	–	–
Unspent contributions at 30 June	1,874	1,945	–	–

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include community and infrastructure projects. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

B2-4 Grants and contributions (continued)

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

\$ '000	Notes	2023	2022
Interest on financial assets measured at amortised cost			
– Overdue rates and annual charges (incl. special purpose rates)		119	80
– Cash and investments		1,194	206
Finance income on the net investment in the lease	C2-2	–	–
Total interest and investment income		1,313	286

B2-6 Other income

\$ '000	Notes	2023	2022
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		636	744
Total Investment properties		636	744
Other lease income			
Leaseback fees - council vehicles		88	104
Total other lease income		88	104
Total rental income	C2-2	724	848
Total other income		724	848

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	15,292	14,959
Employee termination costs (where material – other than vested leave paid)	23	245
Travel expenses	25	6
Employee leave entitlements (ELE)	2,092	2,059
Superannuation	1,596	1,521
Superannuation – defined benefit plans	180	202
Workers' compensation insurance	413	467
Fringe benefit tax (FBT)	27	42
Payroll tax	158	65
Training costs (other than salaries and wages)	137	171
Protective clothing	58	48
Corporate uniforms	–	1
Other	86	62
Total employee costs	20,087	19,848
Less: capitalised costs	(794)	(1,153)
Total employee costs expensed	19,293	18,695

Accounting policy

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		7,421	5,314
Contractor costs		13,952	7,684
– Contractor and consultancy costs		4	5
Audit Fees	F2-1	108	133
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	166	139
Advertising		156	88
Bank charges		82	69
Computer software charges		126	119
Electricity and heating		869	897
Insurance		1,281	972
Office expenses (including computer expenses)		929	903
Postage		95	66
Printing and stationery		96	86
Street lighting		310	337
Subscriptions and publications		368	457
Telephone and communications		246	206

continued on next page ...

B3-2 Materials and services (continued)

\$ '000	2023	2022
Valuation fees	128	94
Commissions	60	60
Lease fees	29	23
Council election expenses	–	178
Other expenses	97	116
Legal Fees:		
– planning and development	27	73
– debt recovery	71	105
– other	34	228
Expenses from short-term leases	399	280
Total materials and services	27,054	18,632

Accounting policy

Expenses are recorded on an accruals basis as the Council receives the goods or services.

B3-3 Borrowing costs

\$ '000	2023	2022
(i) Interest bearing liability costs		
Interest on leases	7	12
Interest on loans	462	386
Total interest bearing liability costs	469	398
Total interest bearing liability costs expensed	469	398
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Remediation liabilities	(289)	53
Total other borrowing costs	(289)	53
Total borrowing costs expensed	180	451

Accounting policy

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		437	449
Plant and equipment - specialised - RFS red fleet		711	737
Office equipment		117	282
Furniture and fittings		10	9
Infrastructure:	C1-7		
– Buildings – specialised		1,185	1,094
– Other structures		806	707
– Roads		5,909	5,711
– Bridges		430	396
– Footpaths		240	228
– Stormwater drainage		398	397
– Water supply network		2,156	1,763
– Sewerage network		2,346	2,074
– Swimming pools		38	39
Right of use assets	C2-1	418	427

B3-4 Depreciation, amortisation and impairment of non-financial assets (continued)

\$ '000	Notes	2023	2022
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	41	73
Total gross depreciation and amortisation costs		15,242	14,386
Total depreciation and amortisation costs		15,242	14,386
Total depreciation, amortisation and impairment for non-financial assets		15,242	14,386

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C2-1a for right of use assets.

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		43	253
Total impairment of receivables	C1-4	43	253
Other			
Contributions/levies to other levels of government			
Donations, contributions and assistance to other organisations (Section 356)			
– Contributions emergency services		851	648
– Donations, contributions and assistance		315	296
Total other		1,166	944
Total other expenses		1,209	1,197

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses**B4-1 Gain or loss from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	466
Less: carrying amount of property assets sold/written off		(295)	(223)
Gain (or loss) on disposal		(295)	243
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		219	235
Less: carrying amount of plant and equipment assets sold/written off		(108)	(138)
Gain (or loss) on disposal		111	97
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(7,231)	(2,379)
Gain (or loss) on disposal		(7,231)	(2,379)
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(7,415)	(2,039)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	30,159	30,174	15	0% F
User charges and fees	7,138	8,501	1,363	19% F
Income above budget due to higher than expected Water Usage Income and Commercial Waste Gate Fees at the Lithgow Solid Waste Facility.				
Other revenues	813	960	147	18% F
A natural disaster related to gas outage in the Local Government Area, income to offset costs was received from the gas authority,				
Operating grants and contributions	16,760	37,884	21,124	126% F
The Financial Assistance Grant was pre-paid in full and \$25.4M was received for natural disaster recovery works claims.				
Capital grants and contributions	12,082	14,633	2,551	21% F
A \$4M upfront payment was made for the Resources for Regions - Round 9 Grant.				
Interest and investment revenue	579	1,313	734	127% F
There were significant increases in interest rates during the financial year, resulting in increased investment returns.				
Other income	650	724	74	11% F
Lease income from Council owned properties was above budget.				
Expenses				
Employee benefits and on-costs	19,132	19,293	(161)	(1)% U
Materials and services	19,032	27,054	(8,022)	(42)% U
Increased material expenditure in response to natural disaster events.				
Borrowing costs	342	180	162	47% F
Fair value adjustment on tip remediation liability from revised discount rates.				
Depreciation, amortisation and impairment of non-financial assets	13,282	15,242	(1,960)	(15)% U
Increased cost of materials has resulted in higher replacement costs of assets, resulting in greater depreciation expense rates.				
Other expenses	993	1,209	(216)	(22)% U
Expenditure on the Emergency Services Levy was above expectations.				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Net losses from disposal of assets	(155)	7,415	(7,570)	4,884% U
Natural Disasters caused significant damage to road infrastructure in the Local Government Area. Many roads were written off to be restored as part of the annual Capital Works Program.				

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	28,915	44,843	15,928	55% F
\$25.4M received in grants due to Natural Disasters.				
Cash flows from investing activities	(30,990)	(42,866)	(11,876)	38% U
Significant Capital Expenditure to reinstate Road Assets due to Natural Disasters.				
Cash flows from financing activities	(1,364)	(1,823)	(459)	34% U
Leasing Payments not budgeted for in Financing Activities.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	600	294
Cash equivalent assets		
– Deposits at call	1,338	1,490
Total cash and cash equivalents	1,938	1,784

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	1,938	1,784
Balance as per the Statement of Cash Flows	1,938	1,784

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	41,000	–	33,000	–
Total	41,000	–	33,000	–
Total financial investments	41,000	–	33,000	–
Total cash assets, cash equivalents and investments	42,938	–	34,784	–

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments of \$21M in the Statement of Financial Position.

C1-3 Restricted and allocated cash, cash equivalents and investments

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	42,938	34,784
Less: Externally restricted cash, cash equivalents and investments	(33,543)	(26,257)
Cash, cash equivalents and investments not subject to external restrictions	9,395	8,527

External restrictions

External restrictions – included in liabilities

External restrictions included in cash, cash equivalents and investments above comprise:

Specific purpose unexpended grants – water fund	19	–
Specific purpose unexpended grants – sewer fund	913	–
Specific purpose unexpended loans – general	1,352	4,921
Specific purpose unexpended grants – general fund	11,727	3,968
External restrictions – included in liabilities	14,011	8,889

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	1,874	1,945
Water fund	2,829	930
Sewer fund	7,427	8,310
Domestic waste management	7,402	6,183

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C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

External restrictions – other	19,532	17,368
Total external restrictions	33,543	26,257

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2023	2022
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	9,395	8,527
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Less: Internally restricted cash, cash equivalents and investments	(9,395)	(8,527)
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Unrestricted and unallocated cash, cash equivalents and investments	–	–
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Internal allocations

At 30 June, Council has internally allocated funds to the following:

Plant and vehicle replacement	511	105
Employees leave entitlement	1,130	754
Carry over works	476	327
Deposits, retentions and bonds	302	319
Election	100	50
Land and building	2,734	2,220
Works in progress	671	653
Other	350	–
Working Capital	–	–
Financial assistance grant - prepayment	6,013	4,099
Non-Domestic waste management	250	–
Natural disaster works internal loan	(3,142)	–
Total internal allocations	9,395	8,527

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	1,840	–	1,681	–
Interest and extra charges	159	–	146	–
User charges and fees	1,449	–	1,505	–
Accrued revenues				
– Interest on investments	434	–	73	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	1,810	–	2,401	–
Net GST receivable	868	–	659	–
Other debtors	1,357	–	701	–
Total	7,917	–	7,166	–
Less: provision for impairment				
Rates and annual charges	(477)	–	(434)	–
Other debtors	–	–	(34)	–
Total provision for impairment – receivables	(477)	–	(468)	–
Total net receivables	7,440	–	6,698	–

continued on next page ...

C1-4 Receivables (continued)

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	468	205
Balance at the end of the year	468	205

Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	762	—	816	—
Total inventories at cost	762	—	816	—
Total inventories	762	—	816	—

Accounting policy

C1-5 Inventories (continued)

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

C1-6 Contract assets and Contract cost assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Contract assets	13,939	–	4,023	–
Total contract assets and contract cost assets	13,939	–	4,023	–

Contract assets

Natural Disaster Floods	13,939	–	4,023	–
Total contract assets	13,939	–	4,023	–

Significant changes in contract assets

Council experienced numerous flooding natural disasters in the 2021/22 Financial Year. Much of the work has been completed and claiming to occur in 2023/24.

Council has received payment of \$13.8m since the 30th June 2023.

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period									At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	9,195	–	9,195	559	6,385	–	–	(3,379)	(209)	(255)	–	–	12,296	–	12,296
Plant and equipment	17,708	(13,713)	3,995	701	–	(51)	(437)	168	17	–	–	–	18,030	(13,637)	4,393
Plant and equipment - specialised - RFS red fleet	18,804	(11,384)	7,420	261	–	–	(711)	–	–	–	–	–	18,452	(11,482)	6,970
Office equipment	1,627	(1,429)	198	37	226	(15)	(117)	87	–	–	–	–	538	(122)	416
Furniture and fittings	431	(369)	62	–	–	(42)	(10)	9	–	–	–	–	23	(4)	19
Land:															
– Operational land	17,693	–	17,693	–	30	(295)	–	110	–	–	–	2,511	20,049	–	20,049
– Community land	26,285	–	26,285	–	109	–	–	–	–	–	–	15,146	41,540	–	41,540
Infrastructure:															
– Buildings – specialised	83,993	(32,562)	51,431	664	654	(226)	(1,185)	217	310	(44)	–	5,240	100,374	(43,313)	57,061
– Other structures	31,481	(10,895)	20,586	85	200	(30)	(806)	213	(37)	–	–	2,217	35,121	(12,693)	22,428
– Roads	351,101	(94,523)	256,578	19,129	–	(5,688)	(5,909)	845	–	–	–	13,641	381,730	(103,134)	278,596
– Bridges	27,615	(5,241)	22,374	4,061	–	(952)	(430)	239	–	–	–	1,316	32,173	(5,565)	26,608
– Footpaths	18,853	(4,491)	14,362	–	38	–	(240)	–	–	–	–	623	19,722	(4,939)	14,783
– Bulk earthworks (non-depreciable)	27,876	–	27,876	925	–	–	–	–	–	–	–	3,206	32,007	–	32,007
– Stormwater drainage	41,731	(15,703)	26,028	–	–	–	(398)	–	–	–	–	3,534	47,483	(18,319)	29,164
– Water supply network	106,711	(68,304)	38,407	997	197	(204)	(2,156)	822	–	–	–	21,385	128,104	(68,656)	59,448
– Sewerage network	132,288	(52,085)	80,203	601	–	(123)	(2,346)	669	–	–	(9,178)	5,306	135,921	(60,789)	75,132
– Swimming pools	2,580	(148)	2,432	–	–	(9)	(38)	–	(290)	–	–	168	2,329	(66)	2,263
Other assets:															
– Library books	994	(994)	–	–	–	–	–	–	–	–	–	–	166	(166)	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	8,210	(7,381)	829	–	–	–	(41)	–	–	–	–	–	8,211	(7,423)	788
Total infrastructure, property, plant and equipment	925,176	(319,222)	605,954	28,020	7,839	(7,635)	(14,824)	–	(209)	(299)	(9,178)	74,293	1,034,269	(350,308)	683,961

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	3,141	–	3,141	2,314	5,320	–	–	(1,580)	–	9,195	–	9,195
Plant and equipment	17,800	(13,555)	4,245	351	–	(153)	(449)	–	–	17,708	(13,713)	3,995
Plant and equipment - specialised - RFS red fleet	18,804	(10,648)	8,156	–	–	–	(737)	–	–	18,804	(11,384)	7,420
Office equipment	1,552	(1,148)	404	76	–	–	(282)	–	–	1,627	(1,429)	198
Furniture and fittings	430	(359)	71	–	–	–	(9)	–	–	431	(369)	62
Land:												
– Operational land	16,762	–	16,762	–	–	(223)	–	–	1,154	17,693	–	17,693
– Community land	24,713	–	24,713	–	–	–	–	–	1,572	26,285	–	26,285
Infrastructure:												
– Buildings – specialised	76,682	(28,932)	47,750	602	155	(160)	(1,094)	100	4,078	83,993	(32,562)	51,431
– Other structures	27,548	(9,145)	18,403	175	454	–	(707)	363	1,898	31,481	(10,895)	20,586
– Roads	345,389	(88,051)	257,338	2,386	212	(968)	(5,711)	284	3,037	351,101	(94,523)	256,578
– Bridges	27,044	(4,839)	22,205	413	–	(87)	(396)	–	239	27,615	(5,241)	22,374
– Footpaths	17,754	(4,231)	13,523	204	751	(61)	(228)	–	173	18,853	(4,491)	14,362
– Bulk earthworks (non-depreciable)	27,410	–	27,410	–	–	–	–	–	466	27,876	–	27,876
– Stormwater drainage	41,464	(15,205)	26,259	–	–	–	(397)	–	167	41,731	(15,703)	26,028
– Water supply network	100,593	(63,169)	37,424	927	–	(226)	(1,763)	–	2,045	106,711	(68,304)	38,407
– Sewerage network	124,755	(47,831)	76,924	1,172	50	(879)	(2,074)	752	4,259	132,288	(52,085)	80,203
– Swimming pools	2,445	(102)	2,343	–	–	–	(39)	–	127	2,580	(148)	2,432
Other assets:												
– Library books	994	(994)	–	–	–	–	–	–	–	994	(994)	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):												
– Tip assets	8,210	(7,308)	902	–	–	–	(73)	–	–	8,210	(7,381)	829
Total infrastructure, property, plant and equipment	883,490	(295,517)	587,973	8,620	6,942	(2,757)	(13,959)	(81)	19,215	925,176	(319,222)	605,954

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
RFS red fleet	15 to 25		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	12 to 20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 50
Bridge: other	50	Other infrastructure	5 to 50
Road pavements	70		
Kerb, gutter and footpaths	32 to 80		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

C1-7 Infrastructure, property, plant and equipment (continued)

Improvements on Crown Reserves are also recorded as assets. The maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

- Council recognises the RFS buildings on Council controlled land.

C1-8 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	6,208	5,706
Total owned investment property	6,208	5,706
Owned investment property		
At fair value		
Opening balance at 1 July	5,706	5,706
Capitalised subsequent expenditure	458	–
Transfers from/(to) owner-occupied property (Note C1-8)	44	–
Closing balance at 30 June	6,208	5,706

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C1-9 Other

Other assets

	2023 Current	2023 Non-current	2022 Current	2022 Non-current
\$ '000				
Prepayments	773	–	843	–
Total other assets	773	–	843	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Vehicles

Council leases machinery with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2023			
Opening balance at 1 July	607	–	607
Additions to right-of-use assets	95	–	95

C2-1 Council as a lessee (continued)

\$ '000	Plant & Equipment	Ready to use	Total
Depreciation charge	(418)	–	(418)
Balance at 30 June	284	–	284
2022			
Opening balance at 1 July	1,107	–	1,107
Additions to right-of-use assets	(73)	–	(73)
Depreciation charge	(427)	–	(427)
Balance at 30 June	607	–	607

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	216	83	389	194
Total lease liabilities	216	83	389	194

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	194	–	–	194	299
2022					
Cash flows	389	194	–	583	583

(d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

\$ '000	2023	2022
Interest on lease liabilities	7	12
Depreciation of right of use assets	418	427
Expenses relating to short-term leases	399	681
	824	1,120

Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

C2-1 Council as a lessee (continued)

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-7) in the Statement of Financial Position.

Council provides operating leases on Council buildings for the purpose of Commercial, Charitable & the Community, the table below relates to operating leases on assets disclosed in C1-6.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2023	2022
---------	------	------

(i) Assets held as investment property

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	636	744
Total income relating to operating leases for investment property assets	636	744

Operating lease expenses

Direct operating expenses that generated rental income	126	107
Total expenses relating to operating leases	126	107

Repairs and maintenance: investment property

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	88	104
Total income relating to operating leases for Council assets	88	104

C2-2 Council as a lessor (continued)

\$ '000	2023	2022
Reconciliation of IPPE assets leased out as operating leases		
Opening balance as at 1 July	5,705	5,705
Transfers from/(to) investment property	44	—
Other movement (Capitalised subsequent expenditure)	459	—
Closing balance as at 30 June	6,208	5,705

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	576	526
1–2 years	591	531
2–3 years	144	138
3–4 years	108	105
4–5 years	111	108
> 5 years	233	227
Total undiscounted lease payments to be received	1,763	1,635

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services – operating expenditure	8,333	–	4,546	–
Accrued expenses:				
– Borrowings	35	–	30	–
– Salaries and wages	297	–	312	–
– Other expenditure accruals	32	–	170	12
Security bonds, deposits and retentions	302	–	328	–
Other	595	–	646	–
Prepaid rates	1,809	–	1,882	–
Total payables	11,403	–	7,914	12

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	8,116	–	1,103	–
Total grants received in advance		8,116	–	1,103	–
Total contract liabilities		8,116	–	1,103	–

Notes

(i) Council has received funding to construct assets including building revitalisations and recycling facilities. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,000	112
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,000	112

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	4,935	9,884	1,364	14,899
Total borrowings	4,935	9,884	1,364	14,899

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

Current borrowings not anticipated to be settled within the next twelve months

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

(a) Changes in liabilities arising from financing activities

	2022		Non-cash movements				2023
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	16,263	(1,444)	–	–	–	–	14,819
Lease liability (Note C2-1b)	583	(284)	–	–	–	–	299
Loan discount	–	–	–	–	–	–	–
Total liabilities from financing activities	16,846	(1,728)	–	–	–	–	15,118

	2021		Non-cash movements				2022
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	14,338	1,925	–	–	–	–	16,263
Lease liability (Note C2-1b)	1,030	(447)	–	–	–	–	583
Total liabilities from financing activities	15,368	1,478	–	–	–	–	16,846

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	105	105
Total financing arrangements	605	605

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Drawn facilities

– Credit cards/purchase cards	25	25
Total drawn financing arrangements	25	25

Undrawn facilities

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	80	80
Total undrawn financing arrangements	580	580

Additional financing arrangements information

C3-3 Borrowings (continued)

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

Loans are secured over the general rating income of Council.

Bank overdrafts

The bank overdraft is secured over the general rating income of Council.

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,460	–	1,441	–
Long service leave	2,080	352	2,196	318
Total employee benefit provisions	3,540	352	3,637	318
Total employee benefit provisions relating to unrestricted assets	3,540	352	3,637	318
Total employee benefit provisions	3,540	352	3,637	318

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,001	1,977
	2,001	1,977

Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
2023			
At beginning of year	1,441	2,514	3,955
Other	19	(82)	(63)
Total ELE provisions at end of year	1,460	2,432	3,892
2022			
At beginning of year	1,415	2,757	4,172
Other	26	(243)	(217)
Total ELE provisions at end of year	1,441	2,514	3,955

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

C3-4 Employee benefit provisions (continued)

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Other provisions				
Provision for inventory	–	–	85	–
Sub-total – other provisions	–	–	85	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	8,366	–	9,017
Sub-total – asset remediation/restoration	–	8,366	–	9,017
Total provisions	–	8,366	85	9,017

Provisions relating to restricted assets

Total provisions relating to unrestricted assets	–	8,366	85	9,017
Total provisions	–	8,366	85	9,017

Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	9,017	9,017
Changes to provision:		
– Revised discount rate	(362)	(362)
Unwinding of discount	73	73
Amounts used (payments)	(362)	(362)
Total other provisions at end of year	8,366	8,366
2022		
At beginning of year	8,964	8,964
Changes to provision:		
– Revised discount rate	(237)	(237)
– Revised life	239	239
Unwinding of discount	51	51
Total other provisions at end of year	9,017	9,017

Nature and purpose of provisions

Asset remediation

C3-5 Provisions (continued)

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip and quarry.

Accounting policy

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a borrowing cost.

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	19,815	2,924	7,435
User charges and fees	3,501	4,794	206
Interest and investment revenue	1,258	35	20
Other revenues	953	7	–
Grants and contributions provided for operating purposes	37,138	620	126
Grants and contributions provided for capital purposes	9,876	750	4,007
Other income	724	–	–
Total income from continuing operations	73,265	9,130	11,794
Expenses from continuing operations			
Employee benefits and on-costs	15,499	1,770	2,024
Materials and services	20,029	4,093	2,932
Borrowing costs	(90)	24	246
Depreciation, amortisation and impairment of non-financial assets	10,708	2,175	2,359
Other expenses	1,207	1	1
Net losses from the disposal of assets	7,098	194	123
Total expenses from continuing operations	54,451	8,257	7,685
Operating result from continuing operations	18,814	873	4,109
Net operating result for the year	18,814	873	4,109
Net operating result attributable to each council fund	18,814	873	4,109
Net operating result for the year before grants and contributions provided for capital purposes	8,938	123	102

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	1,433	129	376
Investments	30,317	2,719	7,964
Receivables	4,977	1,614	849
Inventories	445	280	37
Contract assets and contract cost assets	13,939	–	–
Other	773	–	–
Total current assets	51,884	4,742	9,226

Non-current assets

Infrastructure, property, plant and equipment	542,282	60,547	81,132
Investment property	6,208	–	–
Right of use assets	284	–	–
Total non-current assets	548,774	60,547	81,132
Total assets	600,658	65,289	90,358

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2023	Water 2023	Sewer 2023
LIABILITIES			
Current liabilities			
Payables	8,893	141	560
Income received in advance	1,462	347	–
Contract liabilities	8,116	–	–
Lease liabilities	216	–	–
Borrowings	4,159	100	676
Employee benefit provision	3,540	–	–
Total current liabilities	26,386	588	1,236
Non-current liabilities			
Lease liabilities	83	–	–
Borrowings	738	1,210	7,936
Employee benefit provision	352	–	–
Provisions	8,366	–	–
Total non-current liabilities	9,539	1,210	7,936
Total liabilities	35,925	1,798	9,172
Net assets	564,733	63,491	81,186
EQUITY			
Accumulated surplus	193,834	16,082	43,381
Revaluation reserves	370,899	47,409	37,805
Council equity interest	564,733	63,491	81,186
Total equity	564,733	63,491	81,186

D2 Interests in other entities**Interests in associates****Net carrying amounts – Council's share**

\$ '000	Place of business	Nature of relationship	Interest in ownership		2023	2022
			2023	2022		
Upper Macquarie County Council	Bathurst	Associate	25%	25%	328	296
Total carrying amounts – material associates					328	296

D2-1 Interests in associates (continued)

Details

	Principal activity	Measurement method
Upper Macquarie County Council	Weed Control	Equity

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2023	2022	2023	2022
Upper Macquarie County Council	25%	25%	25%	25%

Summarised financial information for associates

	Upper Macquarie County Council	
\$ '000	2023	2022
Statement of financial position		
Current assets		
Cash and cash equivalents	1,393	1,450
Other current assets	93	171
Non-current assets	220	44
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	43	44
Other current liabilities	343	423
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	7	14
Net assets	1,313	1,184
Statement of comprehensive income		
Income	1,671	1,653
Interest income	45	3
Depreciation and amortisation	(38)	(38)
Other expenses	(1,549)	(1,600)
Profit/(loss) from continuing operations	129	18
Profit/(loss) for period	129	18
Total comprehensive income	129	18
Share of income – Council (%)	25%	25%
Profit/(loss) – Council (\$)	32	5
Total comprehensive income – Council (\$)	32	5
Summarised Statement of cash flows		
Cash flows from operating activities	106	133
Cash flows from investing activities	(163)	(10)
Net increase (decrease) in cash and cash equivalents	(57)	123
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,184	1,166
Profit/(loss) for the period	129	18
Closing net assets	1,313	1,184

continued on next page ...

D2-1 Interests in associates (continued)

\$ '000	Upper Macquarie County Council	
	2023	2022
Council's share of net assets (%)	25%	25%
Council's share of net assets (\$)	328	296

County Councils

Council is a member of the Upper Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control weeds. Council is one of four constituent councils and does not have significant influence over the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,938	1,784	1,938	1,784
Receivables	7,440	6,698	7,440	6,951
Investments				
– Financial Assets at amortised cost	41,000	33,000	41,000	33,000
Total financial assets	50,378	41,482	50,378	41,735
Financial liabilities				
Lease Liability	194	613	194	613
Loans/advances	14,819	16,263	14,819	16,263
Payables	11,403	7,926	11,403	7,899
Total financial liabilities	26,416	24,802	26,416	24,775

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

E1-1 Risks relating to financial instruments held (continued)

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	281	185
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2023				
Gross carrying amount	123	1,663	54	1,840
2022				
Gross carrying amount	149	1,510	22	1,681

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined as follows. The expected credit losses incorporate forward-looking information.

E1-1 Risks relating to financial instruments held (continued)

\$ '000	Not yet overdue	0 - 30 days	Overdue debts		> 91 days	Total
			31 - 60 days	61 - 90 days		
\$ '000	Not yet overdue	0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	8,561	1,270	1,942	117	8,126	20,016
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.80%	3.57%
ECL provision	—	—	—	—	715	715
2022						
Gross carrying amount	3,395	4,818	139	76	1,080	9,508
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.80%	1.00%
ECL provision	—	—	—	—	95	95

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(c) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2023							
Payables	0.00%	302	11,101	—	—	11,403	11,403
Borrowings	0.00%	—	4,970	8,538	1,346	14,854	14,819
Total financial liabilities		302	16,071	8,538	1,346	26,257	26,222
2022							
Payables	0.00%	328	7,559	12	—	7,899	7,926
Borrowings	0.00%	—	1,364	11,225	3,674	16,263	16,263
Total financial liabilities		328	8,923	11,237	3,674	24,162	24,189

E2-1 Fair value measurement

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements											
Financial assets											
Financial investments	C1-2										
– ‘Held to maturity’		30/06/23	30/06/22	41,000	33,000	–	–	–	–	41,000	33,000
Total financial assets				41,000	33,000	–	–	–	–	41,000	33,000

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Financial liabilities											
Bonds and security deposits		30/06/23	30/06/22	–	–	302	319	–	–	302	319
Accrued interest		30/06/23	30/06/22	35	73	–	–	–	–	35	73
Total financial liabilities				35	73	302	319	–	–	337	392
Investment property											
Investment properties	C1-8	30/06/21	30/06/21	–	–	–	–	6,208	5,706	6,208	5,706
Total investment property				–	–	–	–	6,208	5,706	6,208	5,706
Infrastructure, property, plant and equipment											
Operational land	C1-7	30/06/23	30/06/20	30	–	–	–	20,019	17,693	20,049	17,693
Community land		30/06/23	30/06/20	109	–	–	–	41,431	26,285	41,540	26,285
Plant and equipment		30/06/20	30/06/20	701	351	–	–	3,692	3,644	4,393	3,995
Plant and equipment -specialised - RFS red fleet		30/06/22	30/06/22	261	–	–	–	6,709	7,420	6,970	7,420
Office equipment		30/06/20	30/06/20	263	76	–	–	153	122	416	198
Furniture and fittings		30/06/20	30/06/20	–	–	–	–	19	62	19	62
Buildings		30/06/23	30/06/20	1,318	757	–	–	55,743	50,677	57,061	51,434
Other structures		30/06/20	30/06/20	285	629	–	–	22,143	19,954	22,428	20,583
Roads		30/06/20	30/06/20	19,129	2,598	–	–	259,467	253,980	278,596	256,578
Bridges		30/06/21	30/06/21	4,061	413	–	–	22,547	21,961	26,608	22,374
Footpaths		30/06/20	30/06/20	38	955	–	–	14,745	13,407	14,783	14,362
Bulk earthworks		30/06/20	30/06/20	925	–	–	–	31,082	27,876	32,007	27,876
Stormwater drainage		30/06/20	30/06/20	–	–	–	–	29,164	26,028	29,164	26,028
Water supply		30/06/22	30/06/22	1,194	927	–	–	53,562	37,480	54,756	38,407
Sewerage network		30/06/22	30/06/22	601	1,223	–	–	74,531	78,980	75,132	80,203
Swimming pools		30/06/21	30/06/21	–	–	–	–	2,263	2,432	2,263	2,432
Library books		30/06/18	30/06/18	–	–	–	–	–	–	–	–
Tip asset rehabilitation		30/06/18	30/06/18	–	–	–	–	788	829	788	829
Work in Progress		NA	N/A	6,944	7,634	–	–	5,352	1,561	12,296	9,195
Total infrastructure, property, plant and equipment				35,859	15,563	–	–	643,410	590,391	679,269	605,954
Non-recurring fair value measurements											

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Water and Sewer assets are subject to a full revaluation process by a registered valuer each 5 years.

During the interim years water and sewer assets are incrementally revalued via an index published by the NSW Office of Water.

General infrastructure assets have been revalued at 30 June 2023 via an index based on construction costs from APV.

Tip Assets shown in the balance sheet represent the taking up of, and restatement of the provision for tip remediation. In this regard the Tip Asset represents the net present value of the future expenditure on tip remediation and then depreciated over the life of the tip.

Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/23) 2023	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Specialised buildings	57,061	Depreciated historical cost	Cost per sq metre, consumption rate, condition, useful life
Road infrastructure	278,596	Depreciated historical cost	Cost per sq metres dimensions and specification, pattern of consumption components useful life residual value asset condition
Bulk earthworks	32,007	Current replacement cost	Cost per Sq metre
Footpaths	14,783	Depreciated historical cost	Cost per sq metre pattern of consumption components useful lives asset conditions
Bridges	26,608	Depreciated historical cost	Cost per Sq metre, dimensions and specifications, pattern of consumption components, useful lives, asset conditions
Stormwater drainage	29,164	Depreciated historical cost	Cost per unit/ per metre
Water supply network	54,756	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	75,132	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Other structures	22,428	Depreciated historical cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Tip assets	788	Depreciated historical cost	Unit Costs
Swimming pools	2,263	Depreciated historical cost	Cost per unit

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Fair value (30/6/23) 2023	Valuation technique/s	Unobservable inputs
Plant and equipment - specialised - RFS red fleet	6,970	Depreciated historical cost	Estimated useful life and residual value

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Property, plant and equipment	
	2023	2022
Opening balance	605,954	587,973
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	65,115	19,215
Other movements		
Transfers from/(to) another asset class	(299)	–
Purchases (GBV)	35,859	15,562
Disposals (WDV)	(7,635)	(2,757)
Depreciation and impairment	(14,824)	(13,958)
FV losses - other comprehensive income	–	–
Other movement - transfer from WIP to P&L	(209)	(81)
Other movement - transfer to other comprehensive income	–	–
Closing balance	683,961	605,954

E2-1 Fair value measurement (continued)

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current future service employer contribution rates are::

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$203,075.47. The last valuation of the Scheme was performed by Richard Boyfield FIAA on 30 June 2021, and covers the period ended 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$155,315.40.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

* excluding member accounts and reserves in both assets and liabilities.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$ '000	2023	2022
Compensation:		
Other long-term benefits	27	217
Post-employment benefits	111	112
Short-term benefits	1,078	1,297
Termination benefits	–	153
Total	1,216	1,779

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	22
Councillors' fees	114	98
Other Councillors' expenses (including Mayor)	25	19
Total	166	139

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	65	53
Remuneration for audit and other assurance services	65	53
Total Auditor-General remuneration	65	53
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services – internal audit services	43	80
Remuneration for audit and other assurance services	43	80
Total remuneration of non NSW Auditor-General audit firms	43	80
Total audit fees	108	133

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	23,796	6,223
Add / (less) non-cash items:		
Depreciation and amortisation	15,242	14,386
(Gain) / loss on disposal of assets	7,415	2,039
Non-cash capital grants and contributions	(767)	–
Unwinding of discount rates on reinstatement provisions	(289)	(186)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(751)	(494)
Increase / (decrease) in provision for impairment of receivables	9	263

G1-1 Statement of Cash Flows information (continued)

\$ '000	2023	2022
(Increase) / decrease of inventories	54	(20)
(Increase) / decrease of other current assets	70	(94)
(Increase) / decrease of contract asset	(9,916)	(4,023)
Increase / (decrease) in payables	3,787	3,593
Increase / (decrease) in accrued interest payable	5	(10)
Increase / (decrease) in other accrued expenses payable	(165)	(3,345)
Increase / (decrease) in other liabilities	(150)	769
Increase / (decrease) in contract liabilities	7,013	(385)
Increase / (decrease) in employee benefit provision	(63)	(217)
Increase / (decrease) in other provisions	(447)	239
Net cash flows from operating activities	44,843	18,738

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,001	1,230
Plant and equipment	126	285
Water supply	370	1,001
Sewerage network	5,134	5,420
Road infrastructure	4,030	1,245
Bridge assets	90	3,709
Footpaths	79	–
Waste assets	79	611
Other structures	112	270
Land	19	14
Fixtures and Fittings	42	–
Office equipment	53	43
Total commitments	11,135	13,828

G2-1 Commitments (continued)

Details of capital commitments

Council's capital commitments relate to the Coco Creek, Airlie Creek and Crown Creek bridge upgrades. Council's building capital commitments relate to Council's store building reconstruction and the sewer assets capital commitments relates to Cullen Bullen sewerage network. Council's water asset capital commitment relates to the Portland Foundation trunk upgrade and the Clarence to Wallerawang Pipeline works.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Roads	1,099	–	–	–	–	–	–	1,099	–
Bushfire	139	–	–	–	–	–	–	139	–
S7.11 contributions – under a plan	1,238	–	–	–	–	–	–	1,238	–
S7.12 levies – under a plan	447	327	–	–	6	(503)	–	277	–
Total S7.11 and S7.12 revenue under plans	1,685	327	–	–	6	(503)	–	1,515	–
S7.4 planning agreements	260	123	–	–	3	(26)	–	360	–
Total contributions	1,945	450	–	–	9	(529)	–	1,875	–

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G4-2 Developer contributions by plan

	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash Land	Non-cash Other					
CONTRIBUTION PLAN									
Roads	1,099	—	—	—	—	—	—	1,099	—
Bushfire	139	—	—	—	—	—	—	139	—
Total	1,238	—	—	—	—	—	—	1,238	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN									
Other S 7.12 Plan 12/13	42	327	–	–	6	(503)	–	(128)	–
Other (previous yrs)	405	–	–	–	–	–	–	405	–
Total	447	327	–	–	6	(503)	–	277	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	16,621	20.89%	4.91%	(3.72)%	(5.01)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	79,556					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	41,672	44.24%	61.37%	70.84%	76.01%	> 60.00%
Total continuing operating revenue	94,189					
3. Unrestricted current ratio						
Current assets less all external restrictions	29,529	2.52x	2.47x	2.23x	3.60x	> 1.50x
Current liabilities less specific purpose liabilities	11,726					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	32,043	16.00x	7.33x	5.66x	3.21x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,003					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	1,522	4.80%	4.61%	6.70%	6.12%	< 10.00%
Rates and annual charges collectable	31,686					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	42,938	9.79 months	9.56 months	8.57 months	7.81 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	4,385					

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G5-2 Statement of performance measures by fund

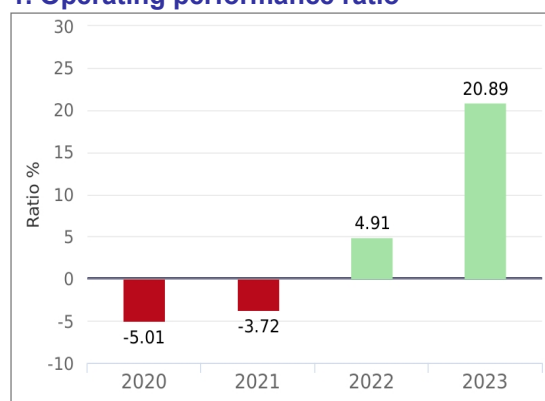
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	25.87%	11.04%	1.47%	(17.12)%	1.31%	(11.27)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	35.83%	52.14%	84.99%	86.74%	64.96%	92.14%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.52x	2.47x	8.06x	6.72x	7.46x	12.70x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15.59x	7.07x	96.75x	79.67x	11.00x	6.86x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.14%	6.51%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.24	7.02	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months					months

(1) - (2) Refer to Notes at Note G6-1 above.

(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2022/23 result

2022/23 ratio 20.89%

Council met this ratio in the 2022/23 year, however, the result was mainly due to one-off natural disaster income. Excluding the extraordinary income and expenses, the operating performance ratio would be -2.6%.

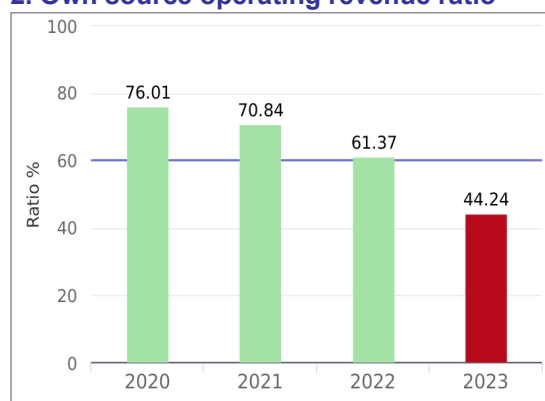
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2022/23 result

2022/23 ratio 44.24%

The result is below the benchmark due to the extraordinary grant income. Natural Disaster grants totalled \$25.4m.

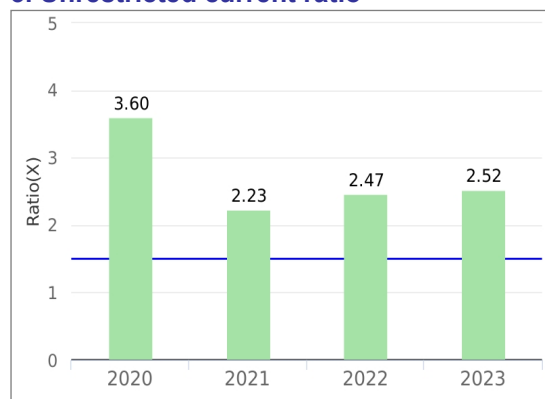
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2022/23 result

2022/23 ratio 2.52x

Council's unrestricted current ratio has exceeded the industry benchmark over recent years. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

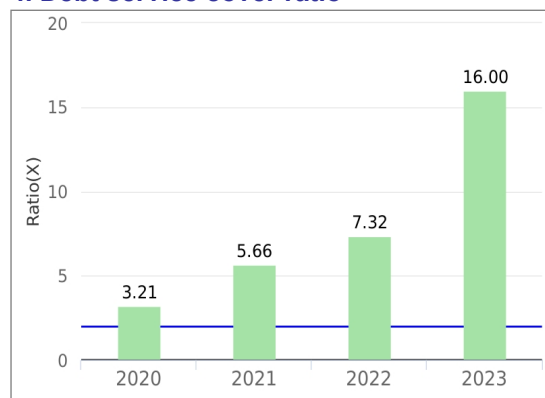
Ratio achieves benchmark

Ratio is outside benchmark

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Commentary on 2022/23 result

2022/23 ratio 16.00x

Council continues to perform above the benchmark, due to greater amounts of cash placed in on call accounts to obtain better interest returns. Loans were paid as they fell due and no new borrowing was undertaken during the Financial Year.

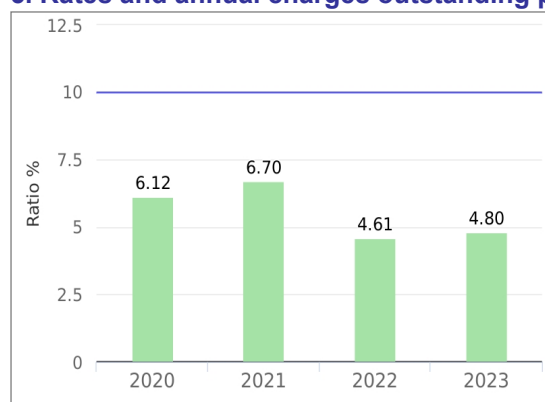
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2022/23 result

2022/23 ratio 4.80%

Council's result has returned to the pre-pandemic level, assisted by conducting an unpaid rates sale in February 2022. Council actively manages accounts receivable to consistently achieve a ratio well within the benchmark.

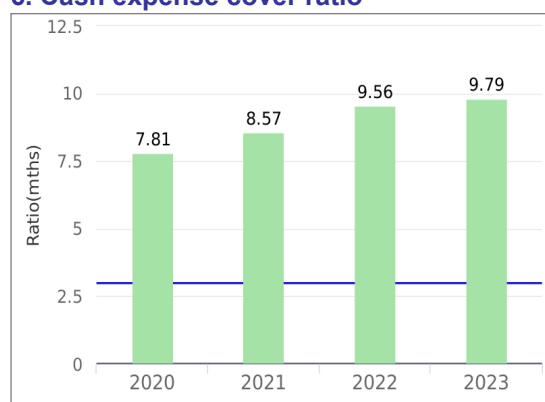
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2022/23 result

2022/23 ratio 9.79 months

Council has met this benchmark as the investment strategy has been adjusted to the current financial environment and investment opportunities, with around 5% of cash held in on call deposits and the remainder held in six month term deposits to maximise investment returns.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

180 Mort St
Lithgow NSW 2790

Contact details**Mailing Address:**

PO Box 19
Lithgow NSW 2790

Telephone: 02 6354 9999

Facsimile: 02 6351 4259

Opening hours:

Monday to Friday
8:15am to 4:30pm

Internet: <http://www.council.lithgow.com>

Email: council@lithgow.nsw.gov.au

Officers**General Manager**

Craig Butler

Responsible Accounting Officer

Ross Gurney

Public Officer

Ross Gurney

Auditors

NSW Audit office
Level 19
Tower 2 Darling Park
201 Sussex Street
SYDNEY NSW 2000

Elected members**Mayor**

Maree Statham

Councillors

Cassandra Coleman
Almudena Bryce
Deanna Goodsell
Darryl Goodwin
Stephen Lesslie
Stuart McGhie
Eric Mahony
Col O'Connor

Other information

ABN: 59 986 092 492



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

I have audited the accompanying financial statements of Lithgow City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Cr Maree Statham
Mayor
Lithgow City Council
PO Box 19
LITHGOW NSW 2790

Contact: Mary Yuen
Phone no: 02 9275 7215
Our ref: [R008-16585809-50528](#)

21 February 2024

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Lithgow City Council**





I have audited the general purpose financial statements (GPFS) of the Lithgow City Council (the Council) for the year ended 30 June 2023 as required by section 415 of the Local Government Act 1993 (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	30.2	28.2	 6.9
Grants and contributions revenue	52.5	23.8	 120.6
Operating result from continuing operations	23.8	6.2	 282.4
Net operating result before capital grants and contributions	9.2	0.5	 1931.7

Rates and annual charges revenue (\$30.2 million) increased by \$2 million (6.9 per cent) in 2022–23 due to rate peg increase of 0.7 per cent.

Grants and contributions revenue (\$52.5 million) increased by \$28.7 million (120.6 per cent) in 2022–23 due to increase of \$21.4 million of grants recognised received for natural disasters.

The Council's operating result from continuing operations (\$23.8 million including depreciation, amortisation and impairment expense of \$15.2 million) was \$17.6 million higher than the 2021–22 result. Rates and annual charges revenue (\$30.2 million) increased by \$2 million (6.9 per cent) in 2022–23 due to rate peg and natural growth in rateable properties. An increase in user charges and fees (\$1 million) and an increase in grants and contribution revenue (\$28.7 million) offset by increase in materials and services cost (\$8.4 million), employee benefits and on-costs (\$0.6 million).

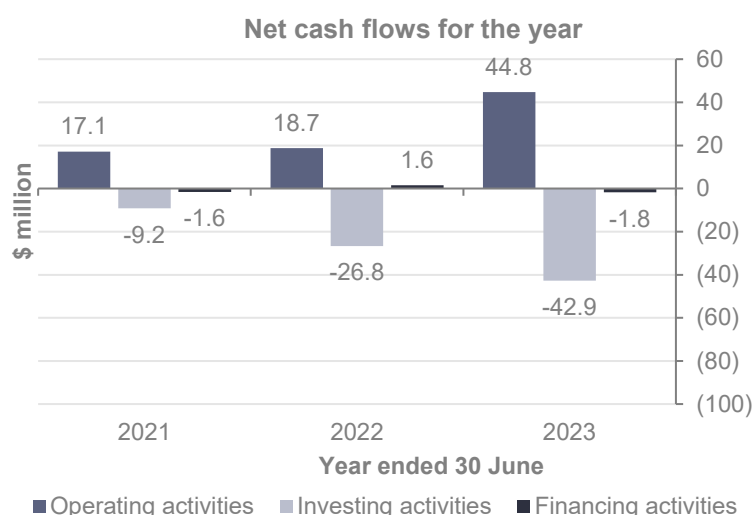
The net operating result before capital grants and contributions (\$9.2 million) was \$8.7 million higher than the 2021–22 result. The 2023 net operating result before capital grants and contributions includes an increase in rates and annual charges (\$2 million), an increase in user charges and fees (\$1 million) and an increase in operating grants and contribution revenue (\$19.9 million) offset by increase in materials and services cost (\$8.4 million), employee benefits and on-costs (\$0.6 million).

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$26.1 million in 2022-23 which is largely due to an increase in grants and contributions received during the year which is partially offset by increase in payment for materials and services.

Council's cash outflows from investing activities had a 60 per cent increase compared to 2022, which was mainly due to \$34.6 million being spent on IPPE.

Net cash from financing activities decreased by \$3.4 million in 2022-23 as no further borrowings were drawn in the current year. The current year outflow is largely due to a repayment of borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	42.9	34.8	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The main reason for the increase is increases in amounts held in the water fund and domestic waste management. Internally restricted cash and investments have been restricted in use by resolution or by a policy of Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions for infrastructure and facilities have increased. Council's unrestricted cash balance remained consistent from last year.
Restricted cash and investments:			
• External restrictions	33.5	26.2	
• Internal restrictions	9.4	8.5	
• Unrestricted	0	0	

Debt

At 30 June 2023, Council recognised \$14.8 million of external borrowings (2022: \$16.3million). Council's loans are secured over the revenue of Council.

PERFORMANCE

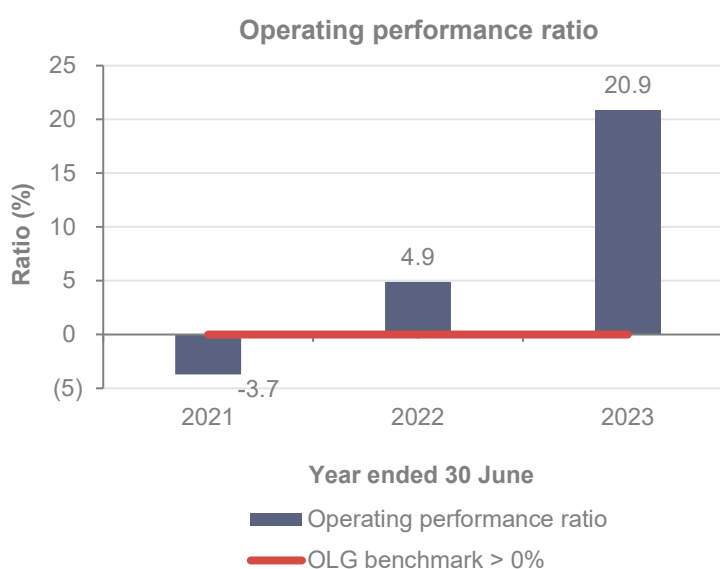
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Housing and Infrastructure.

Operating performance ratio

The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

The Council improved the operating performance ratio for the current reporting period due to the increase in income from grants and contributions for operating purposes.

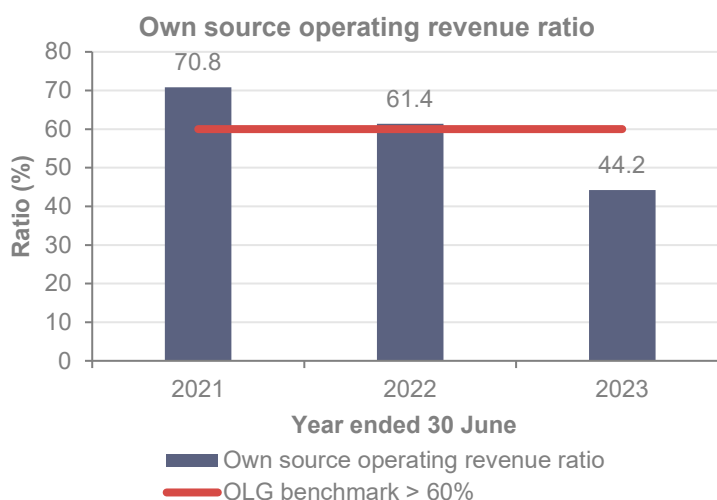


Own source operating revenue ratio

The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

The Council's rate did not meet the OLG benchmark for the current reporting period.

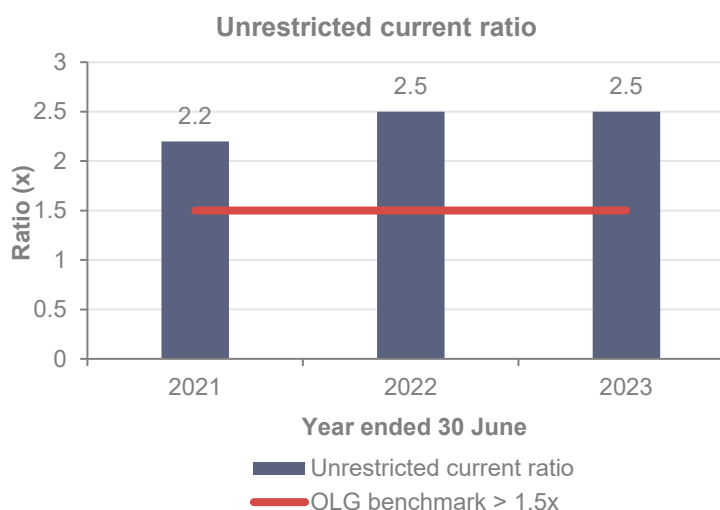
The own source operating revenue ratio is lower than the previous year due to the increase in grants.



Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

The Council's unrestricted current ratio of 2.5 times is greater than the industry benchmark.

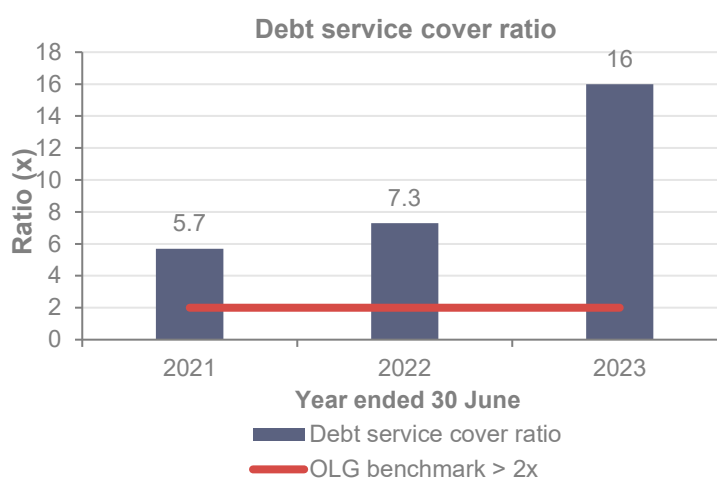


Debt service cover ratio

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

The debt service cover ratio of 16 times exceeded the industry benchmark.

The increase in the ratio compared with the prior year was mainly due to the increase in the operating result.

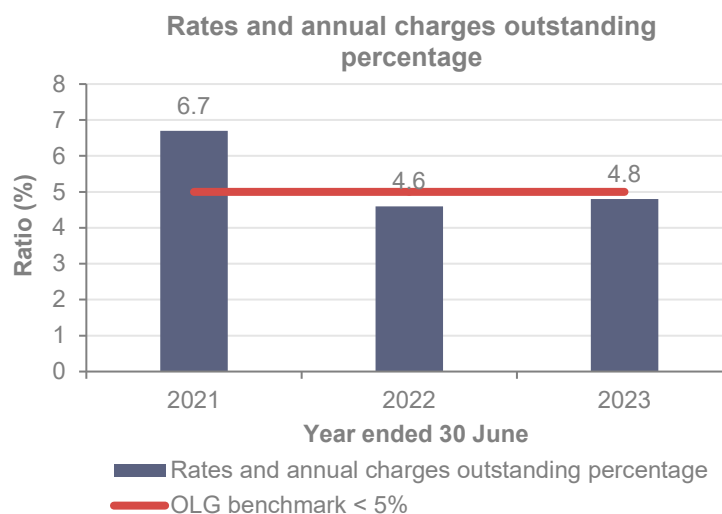


Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for metropolitan Councils.

The Council's rates and annual charges outstanding ratio of 4.8 per cent is within the industry benchmark for the current reporting period.

The ratio has remained relatively stable compared to the prior years.

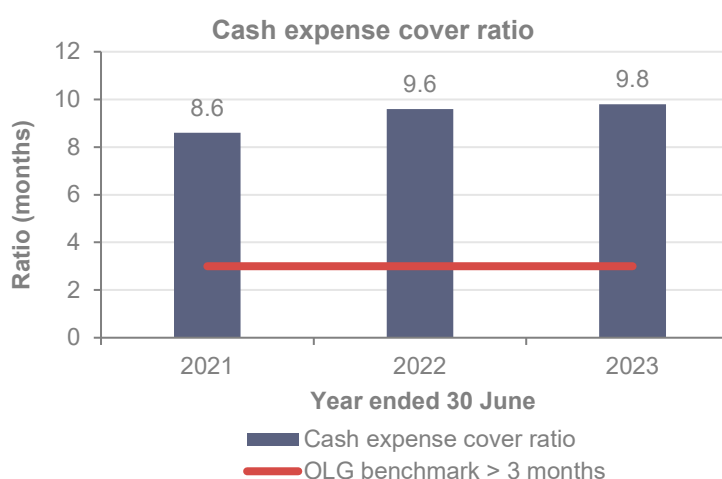


Cash expense cover ratio

This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

The Council's cash expense cover ratio was 9.8 months, which is above the industry benchmark.

The ratio increased during the year due to an increase in total cash, cash equivalents and investments held by Council.



Infrastructure, property, plant and equipment renewals

Council renewed \$28 million of infrastructure, property, plant, and equipment during the 2022-23 financial year. This was mainly spent on roads, bridges and plant and equipment. A further \$7.8 million was spent on new assets, with this being attributed to office equipment, building, land, water supply networks and large number of projects still being in capital works in progress at year end, which relates to various asset classes.

OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited of the GPFS
- staff provided all accounting records and information relevant to the audit.



Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Craig Butler, General Manager
Mr Ron Gillard, Chair of the Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Housing and Infrastructure

Lithgow City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
Note – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Lithgow City Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,
- the NSW Office of Water *Best-Practice Management of Water and Sewerage Guidelines*.

To the best of our knowledge and belief, these statements:

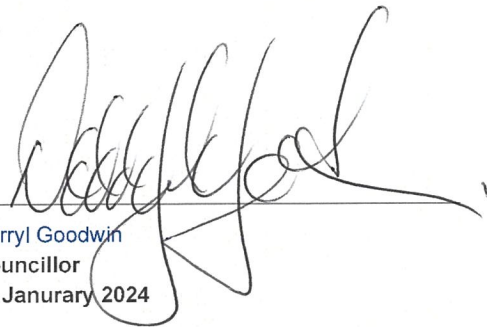
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

We are not aware of any matter that would render these statements false or misleading in any way.

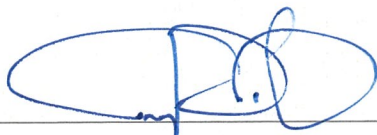
Signed in accordance with a resolution of Council made on 27 November 2023.



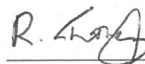
Maree Statham
Mayor
31 January 2024



Darryl Goodwin
Councillor
31 January 2024



Craig Butler
General Manager
31 January 2024



Ross Gurney
Responsible Accounting Officer
31 January 2024

Lithgow City Council

Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	2,924	1,656
User charges	4,745	4,482
Fees	49	65
Interest and investment income	35	44
Grants and contributions provided for operating purposes	620	124
Other income	7	2
Total income from continuing operations	8,380	6,373
Expenses from continuing operations		
Employee benefits and on-costs	1,770	1,718
Borrowing costs	24	9
Materials and services	2,039	1,940
Depreciation, amortisation and impairment	2,175	1,799
Water purchase charges	2,054	1,770
Net loss from the disposal of assets	194	228
Other expenses	1	—
Total expenses from continuing operations	8,257	7,464
Surplus (deficit) from continuing operations before capital amounts	123	(1,091)
Grants and contributions provided for capital purposes	750	831
Surplus (deficit) from continuing operations after capital amounts	873	(260)
Surplus (deficit) from all operations before tax	873	(260)
Less: corporate taxation equivalent (25%) [based on result before capital]	(31)	—
Surplus (deficit) after tax	842	(260)
Plus accumulated surplus	14,973	15,233
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	31	—
Closing accumulated surplus	15,846	14,973
Return on capital %	0.2%	(2.8)%
Subsidy from Council	2,287	2,520
Calculation of dividend payable:		
Surplus (deficit) after tax	842	(260)
Less: capital grants and contributions (excluding developer contributions)	(750)	(831)
Surplus for dividend calculation purposes	92	—
Potential dividend calculated from surplus	46	—

Lithgow City Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	7,435	7,202
Liquid trade waste charges	111	88
Fees	95	62
Interest and investment income	20	13
Grants and contributions provided for operating purposes	126	(63)
Total income from continuing operations	7,787	7,302
Expenses from continuing operations		
Employee benefits and on-costs	2,024	2,012
Borrowing costs	246	215
Materials and services	2,932	2,949
Depreciation, amortisation and impairment	2,359	2,083
Net loss from the disposal of assets	123	866
Other expenses	1	—
Total expenses from continuing operations	7,685	8,125
Surplus (deficit) from continuing operations before capital amounts	102	(823)
Grants and contributions provided for capital purposes	4,007	691
Surplus (deficit) from continuing operations after capital amounts	4,109	(132)
Surplus (deficit) from all operations before tax	4,109	(132)
Less: corporate taxation equivalent (25%) [based on result before capital]	(26)	—
Surplus (deficit) after tax	4,083	(132)
Plus accumulated surplus	37,163	37,295
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	26	—
Closing accumulated surplus	41,272	37,163
Return on capital %	0.4%	(0.7)%
Subsidy from Council	2,914	3,617
Calculation of dividend payable:		
Surplus (deficit) after tax	4,084	(132)
Less: capital grants and contributions (excluding developer contributions)	(4,007)	(691)
Surplus for dividend calculation purposes	77	—
Potential dividend calculated from surplus	38	—

Lithgow City Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	2,848	930
Receivables	1,614	1,671
Inventories	280	248
Total current assets	4,742	2,849
Non-current assets		
Infrastructure, property, plant and equipment	60,547	39,286
Total non-current assets	60,547	39,286
Total assets	65,289	42,135
LIABILITIES		
Current liabilities		
Payables	141	30
Income received in advance	347	336
Borrowings	100	58
Total current liabilities	588	424
Non-current liabilities		
Borrowings	1,210	477
Total non-current liabilities	1,210	477
Total liabilities	1,798	901
Net assets	63,491	41,234
EQUITY		
Accumulated surplus	16,082	15,210
Revaluation reserves	47,409	26,024
Total equity	63,491	41,234

Lithgow City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	8,340	8,310
Receivables	849	609
Inventories	37	34
Total current assets	9,226	8,953
Non-current assets		
Infrastructure, property, plant and equipment	81,132	82,207
Total non-current assets	81,132	82,207
Total assets	90,358	91,160
LIABILITIES		
Current liabilities		
Payables	560	30
Borrowings	676	675
Total current liabilities	1,236	705
Non-current liabilities		
Borrowings	7,936	9,505
Total non-current liabilities	7,936	9,505
Total liabilities	9,172	10,210
Net assets	81,186	80,950
EQUITY		
Accumulated surplus	43,381	39,272
Revaluation reserves	37,805	41,678
Total equity	81,186	80,950

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the Lithgow area.

b. Sewerage (Waste Water) Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the Lithgow area.

Category 2

(where gross operating turnover is less than \$2 million)

Council does not operate any Category 2 businesses.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

Note – Significant Accounting Policies (continued)

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Note – Significant Accounting Policies (continued)

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Lithgow City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Lithgow City Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2023	6

Lithgow City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	14,564	14,914
Plus or minus adjustments ²	b	(25)	136
Notional general income	$c = a + b$	14,539	15,050
Permissible income calculation			
Special variation percentage ³	d	0.00%	42.00%
Or rate peg percentage	e	2.50%	3.70%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.08%
Plus special variation amount	$h = d \times (c + g)$	—	6,321
Or plus rate peg amount	$i = e \times (c + g)$	363	557
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	—	12
Special variation percentage			
Sub-total	$k = (c + g + h + i + j)$	14,902	21,940
Plus (or minus) last year's carry forward total	l	124	9
Less valuation objections claimed in the previous year	m	(124)	(21)
Sub-total	$n = (l + m)$	—	(12)
Total permissible income	$o = k + n$	14,902	21,928
Less notional general income yield	p	14,914	22,366
Catch-up or (excess) result	$q = o - p$	(12)	(438)
Plus income lost due to valuation objections claimed ⁴	r	21	—
Less unused catch-up ⁵	s	—	3
Carry forward to next year ⁶	$t = q + r + s$	9	(435)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts or the rate peg balance amounts will be deducted if they are not caught up within ten years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for when setting the rates in a future year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Lithgow City Council

To the Councillors of Lithgow City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Lithgow City Council (the Council) for the year ending 30 June 2024.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2023'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Mary Yuen
Delegate of the Auditor-General for New South Wales

21 February 2024
SYDNEY

Lithgow City Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – specialised	2,618	2,618	420	546	57,061	100,374	9.0%	33.0%	43.0%	15.0%	0.0%
	Sub-total	2,618	2,618	420	546	57,061	100,374	9.0%	33.0%	43.0%	15.0%	0.0%
Other structures	Other structures	275	275	1,830	2,088	22,428	35,121	35.0%	19.0%	44.0%	2.0%	0.0%
	Sub-total	275	275	1,830	2,088	22,428	35,121	35.0%	19.0%	44.0%	2.0%	0.0%
Roads	Sealed roads	1,479	1,479	657	2,992	257,369	352,662	10.0%	4.0%	84.0%	2.0%	0.0%
	Unsealed roads	144	144	1,723	6,556	21,227	29,068	20.0%	6.0%	73.0%	1.0%	0.0%
	Bridges	63	63	–	2	26,608	32,173	32.0%	43.0%	24.0%	1.0%	0.0%
	Footpaths	38	38	151	271	14,783	19,772	11.0%	18.0%	71.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	32,007	32,007	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	1,724	1,724	2,531	9,821	351,994	465,682	11.5%	7.1%	79.7%	1.6%	0.1%
Water supply network	Water supply network	537	537	966	1,521	59,451	128,107	10.0%	4.0%	84.0%	2.0%	0.0%
	Sub-total	537	537	966	1,521	59,448	128,107	10.0%	4.0%	84.0%	2.0%	0.0%
Sewerage network	Sewerage network	367	367	1,470	1,319	75,132	135,921	17.0%	10.0%	72.0%	1.0%	0.0%
	Sub-total	367	367	1,470	1,319	75,132	135,921	17.0%	10.0%	72.0%	1.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	128	333	29,164	47,483	1.0%	0.0%	99.0%	0.0%	0.0%
	Sub-total	–	–	128	333	29,164	47,483	1.0%	0.0%	99.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	32	74	2,263	2,329	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	32	74	2,263	2,329	100.0%	0.0%	0.0%	0.0%	0.0%
Total – all assets		5,521	5,521	7,377	15,702	597,490	915,017	12.4%	10.0%	74.6%	3.0%	0.0%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required

Lithgow City Council

Report on infrastructure assets as at 30 June 2023 (continued)

3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Lithgow City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	2022	Indicators 2021	2020	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	27,021					
Depreciation, amortisation and impairment	13,508	200.04%	65.98%	51.75%	110.16%	> 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	5,521					
Net carrying amount of infrastructure assets	609,786	0.91%	1.64%	1.78%	1.76%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	15,702					
Required asset maintenance	7,377	212.85%	67.31%	121.66%	88.64%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	5,521	0.60%	1.09%	1.20%	1.21%	
Gross replacement cost	915,017					

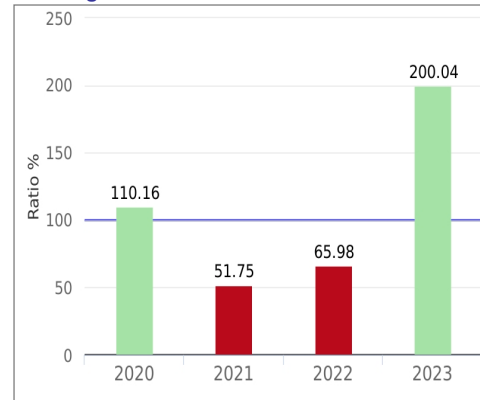
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Lithgow City Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

22/23 ratio 200.04%

Council has exceeded this ratio due to extensive natural disaster funded renewal works on Council's roads network.

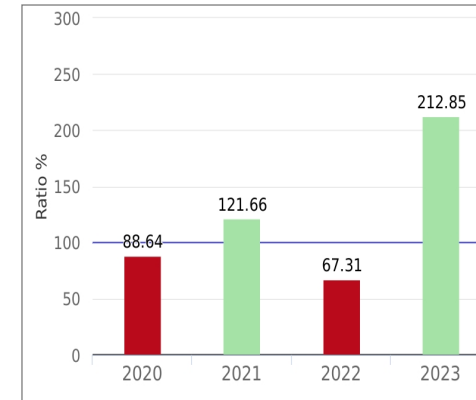
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

22/23 ratio 212.85%

Council has exceeded this ratio due to funding for natural disaster works for maintenance, mostly on the roads network.

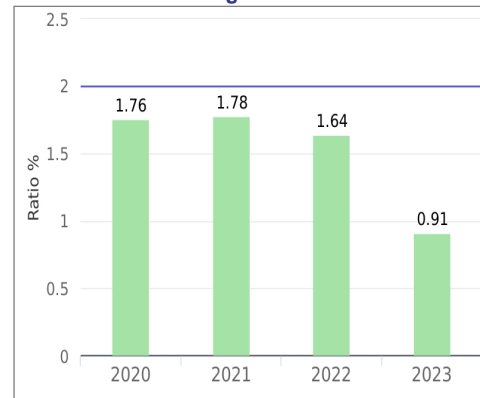
Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

22/23 ratio 0.91%

Council continues to target condition score five assets for renewals.

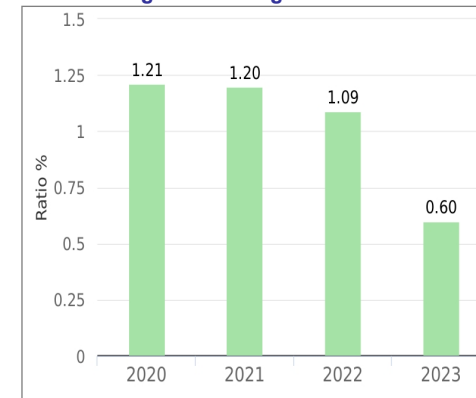
Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

22/23 ratio 0.60%

Council has met this KPI due to the implementation of the Asset Management module on Technology One and implementing Asset Management Plans.

Lithgow City Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	279.92%	63.14%	51.53%	52.98%	29.84%	88.81%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	0.97%	0.83%	0.90%	8.83%	0.49%	2.54%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	260.31%	59.52%	157.45%	97.99%	89.73%	80.49%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.71%	0.61%	0.42%	3.18%	0.27%	1.54%	
Gross replacement cost							

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.